

# **THE LEONARD LETTER**

*A weekly electronic newsletter about  
California government, business and taxes  
Bill Leonard, Member  
State Board of Equalization*

*July 31, 2006*

## **QUOTE OF THE WEEK**

*"[L]iberty may be endangered by the abuses of liberty, as well as by the abuses of power." James Madison, Federalist No. 63*

## **AROUND THE STATE**

### **\*\*\*Volunteer for Victory\*\*\***

I have run for public office about a dozen times and those runs came after more than 20 years of volunteering for other candidates. I know that campaigns are hard work, long hours and great learning experiences. If you find yourself saying things like "there oughta be a law," or "we need good people in office," or "there oughta be fewer laws," then you need to join in a campaign to experience the hard work, long hours and great lessons for yourself. Candidates are already working hard to earn your vote in November, and if you have found someone you believe should be in public office, whether for governor or city council or community services district board, please volunteer to help them get elected. Every person who is putting their name on the ballot would appreciate your sincere offer of assistance, and every campaign has much work to do. A lot of campaign work is tedious—stuffing envelopes or making follow-up phone calls. However, all of that work valuable and helps a candidate magnify his or her ability to reach as many voters as possible. So, whether you are comfortable hosting a small cookies-and-coffee reception in your home, or knocking on your neighbors' doors to ask them to vote for your chosen candidate, or stamping envelopes, start working today. On behalf of all candidates, I thank you for giving of your time to help make our democratic process work.

### **\*\*\*June Revenues Strong\*\*\***

California's economy continues to generate record revenue. According to the latest Department of Finance report, net Personal Income Tax receipts for June are up more than half a billion dollars over June 2005 (\$5.08 billion vs. \$4.5 billion June '05). Corporation tax receipts were also strong for the month (\$1.69 billion vs. \$1.56 billion

June '05). One wrinkle in the report is that cumulative corporate tax receipts are down for the year. This is not a sign of a slowing economy but rather demonstrates that the huge corporate revenues in 2005 were merely accelerated tax payments under the state's tax amnesty (I call it "shamnesty") program. A better measure is to compare to the previous year: Annual corporate tax revenues are up almost \$2.5 billion from this time in 2003.

If one thing stands out from this report it is the staggering cumulative PIT totals. Through June, the state has collected just shy of \$50 billion in personal income tax for the year vs. \$42.5 billion at the same time last year. While improving employment is partly responsible, we cannot forget that California has a hyper- progressive personal income tax system. Therefore, we have to assume that a large portion of this windfall is from wealthy people having a good year with real estate, stock options, and the like. Governor Schwarzenegger will be highly tempted by the Legislature to spend the entire windfall – but he can avoid the downfall that befell his predecessor if he concentrates on spending one-time revenues on one-time expenditures – like capital improvements to the state's infrastructure — instead of welfare.

### **\*\*\*Growing Quickly\*\*\***

I read with interest a recent list of the 25 fastest growing cities in the United States. Twenty percent of those cities are in my Board of Equalization district: #1 Elk Grove, #11 Bakersfield, #14 Lancaster, #16 Visalia, and #23 Fontana.

Yet, I contrast that with data I received from U-Haul. In 2005, U-Haul helped .5% more families move out of California than into it. So far in 2006, that number is up to 2.7% more leaving than entering. The top ten states they are moving to with their U-Hauls? Nevada, Arizona, Oregon, Washington, Texas, Colorado, Utah, Idaho, New Mexico and Florida. I think this info is very telling because it shows where middle income families are going since the wealthy and the poor are less likely to use U-Haul.

## **ISSUE FOCUS**

### **\*\*\*And Now the Good News\*\*\***

The next time you are tired of reading all the bad news, America-bashing, and troop-demeaning in the mainstream media, I encourage you to go to this website:

<http://www.talkingproud.us/>

Here you can find positive stories about patriots, military heroes, armed forces technology, our allies in the war against terror, as well as inspiring photos and quotes. It is a refreshing change to the stories and pictures that bombard us from most television broadcasts and newspapers.

# UNDER THE DOME

## \*\*\*Drive for Donors\*\*\*

The DMV is making it easier for Californians to be organ donors, helping to turn tragic situations into miracles for others. The DMV recently announced that when you apply for or renew your drivers' license you can check YES in the box labeled "I want to be an organ or tissue donor." You have always been able to indicate your desire to be a donor by placing a pink donor dot on your license, but by checking the box, you will now be placed on the state's donor registry. If you have not yet considered being a donor at the time of your death, please think about it today. Consider this: nearly one in three people waiting for life-saving organ donations will die before an organ becomes available. Organs and tissues are distributed fairly based on established medical criteria. Donating costs you and your family nothing, nor does it affect your medical care or your funeral arrangements. You can check the box on your next drivers' license update, or you can go [here](http://www.donatelifecalifornia.org/) to register as a donor today:

<http://www.donatelifecalifornia.org/>

## TAX TIP

### \*\*\*Court Complications\*\*\*

Last week I recommended the Charles Dickens classic novel "Bleak House" and wanted to share with readers the response of one of the tax attorneys on my staff. Tom Hudson wrote:

I recently spent time acquainting myself with some of the unduly-complex rules and forms for civil court and found the references to Chancery Court in 'Bleak House' quite familiar. The documents submitted in Chancery Court were handwritten in a specialized style known as 'law hand,' which was significantly different from cursive. The rules required writings (e.g. 'prayers for relief') to be submitted on rolled sheep skins of a special size, bound in a particular way with green and red ribbons and delivered in standardized blue pouches. Ordinary attorneys and law clerks were often unable to write in law hand, so the area around Chancery Lane in London was filled with legal scribes and legal stationers who made a living taking normal legal documents and transcribing them into 'law hand' on the appropriately bound sheep skins. What a waste!

This reminds me of the way our modern civil courts have such specialized forms for even the simplest motions in court, that we now have an entire legal industry that basically performs the same service as the old legal scribes for the Chancery Court... If legislators ever succeed in creating a state tax court, I predict we will create a cottage industry for the people who will sell the new court forms and advise people about how to complete them.

## **MISCELLANY**

### **\*\*\*California County History\*\*\***

The name “Sacramento” was given to the area that is now our state capital by the first European to explore the area, Spanish Army Captain Gabriel Moraga. Moraga named the river after the “Sacrament” or “Lord's Supper.” In 1850, the area became a county. That county is now 994 square miles and sits in the middle of the state’s 400-mile long Central Valley.

Captain John A. Sutter came to the Mexican territory of California in 1839. He spent one year becoming a Mexican citizen and converted to Catholicism, so that in 1840 he was eligible to receive title to 48,000 acres for his dream of an agricultural empire from the Mexican governor, Juan Bautista Alvarado. Sutter purchased Fort Ross, a Russian coastal settlement that included supplies and livestock for \$30,000. Thus stocked with 2,000 cattle, 1,000 horses, 50 mules, and equipment from cannons to wood, he began construction on his own fort at the confluence of the American and Sacramento (Lord’s Supper) Rivers. (Fort Sutter was later purchased by the Native Sons of the Golden West for historical preservation purposes and then donated to the state.) Sutter became famous the world over for the discovery of gold at his lumber mill in nearby Coloma in 1849. A year later, California became a state, and Sacramento (Lord’s Supper) County was established as one of its original counties.

The City of Sacramento (Lord’s Supper) was established in 1849 on the third attempt to have voters approve the municipal charter. Wells Fargo opened for business that same year. Five years later, the city became the state capital although the State Capitol building was not completed until 1869. In 1861 Sacramento's (Lord’s Suppers) downtown area began elevating buildings and roadways 15 feet to minimize damage from repeated floods. It took nine years to elevate all the existing buildings, and now the city is protected from the Sacramento (Lord’s Supper) River by a system of levees, pumps and diversion dams—all of which you have heard much about since the pump and levee failures in New Orleans last year since the area could use at least one more good dam.

### **\*\*\*A Good Read\*\*\***

When I was serving as the Senate Republican Caucus Chairman, I organized a conference for Republican legislators about the issues of the day. I invited a speaker to the panel on welfare reform and she knocked the socks off of the legislators with the no-holds-barred approach to the cycle of dependency that AFDC had created. Now Star Parker has a new book and I commend it to you: “White Ghetto: How Middle Class America Reflects Inner City Decay.” Parker reviews a host of social ills and says, “It is true that these problems are especially prevalent in these communities, especially those where single-mother black families reside. But what if the disproportionately higher rates of crime, illegitimacy, infant mortality, AIDS, abortion, drug abuse, and illiteracy in these poverty-

stricken, inner-city neighborhoods are simply a magnified reflection of a malaise that affects every neighborhood throughout the United States? What if the inner city is actually a mirror for the rest of our nation? .... Middle America is skilled at condemning faceless gang members whose arbitrary bullets cut short random lives. But we are blind to our own corruption. We criticize the welfare mother for not paying her own way while racking up thousands in debt on our Visa.” Using her personal experience, a variety of data and modern political commentary, she explains how our country is suffering from a loss of values and how that affects every aspect of public and private life. She calls readers to “an appreciation for how eternal truths relate to every aspect of our lives,” and warns that if Middle America does not answer that call, stand up and fight, “then we better get used to life in the ghetto.” Reading this book, you will be as impressed with Parker as I was so many years ago.

## **BOE AND LEGISLATIVE DATES**

**August 7, 2006** --- Legislature reconvenes from summer recess.

**August 11, 2006** --- Last day to file Declaration of Candidacy & Nomination Papers for candidates running in the general election.

**August 16, 2006** --- BOE meets in San Diego.

**August 29, 2006** --- BOE meets in Sacramento.

**August 31, 2006** --- Final recess of Legislature begins upon adjournment.

**September 4, 2006** --- Labor Day.

**September 12-13, 2006** --- BOE meets in Culver City.

**September 26-27, 2006** --- BOE meets in Sacramento.

**September 30, 2006** — Last day for Governor to sign or veto bills passed by the Legislature before September 1 and in his possession on or after September 1 (Art. IV, Sec.10(b)(2)).

## **NOTABLE DATES/ HISTORY**

**July 31, 1846** --- The ship Brooklyn arrived in Yerba Buena (later San Francisco), carrying a company of about 220 members of the Church of Jesus Christ of Latter-day Saints. Their six-month voyage from New York took them around the southern tip of South America and their arrival in the California territory doubled the population of the city when they pitched their tents at what is now Washington and Montgomery Streets.

**July 31, 1975** --- Jimmy Hoffa, the former president of the Teamsters union, was reported missing. His body has never been found, but it is believed that he was kidnapped and murdered.

**August 1, 1790** --- The first U.S. Census was completed.

**August 1, 1873** --- The first cable car began service in San Francisco.

**August 2, 1776** --- John Hancock was the first member of the Continental Congress to sign the Declaration of Independence.

**August 2, 1923** --- President Warren G. Harding died in San Francisco, four days after collapsing from an embolism. Vice President Calvin Coolidge was sworn in as President the next day.

**August 2, 1943** --- A Japanese destroyer rammed a U.S. Navy PT boat commanded by John F. Kennedy. Kennedy and the other survivors swam for hours to a nearby island and were rescued four days later.

**August 3, 1492** --- Three ships commanded by Christopher Columbus departed from Palos de la Frontera, Spain, on the voyage that led them to what became known as the New World.

**August 3, 1981** --- U.S. air traffic controllers declared an illegal strike. President Ronald Reagan fired a majority of PATCO members later that year.

**August 4, 1914** --- Britain entered World War I by declaring war on Germany after Germany refused to honor the neutrality of Belgium.

**August 4, 1944** --- In Amsterdam, Nazi officers arrested 15-year-old Anne Frank and four other Jews in home where they had been hiding for two years. Frank died in the Belsen concentration camp in 1945.

**August 4, 1964** --- U.S. warships in the Gulf of Tonkin reported an attack by North Vietnam. As a result of this and an earlier conflict, Congress voted to approve U.S. military involvement in Vietnam.

**August 5, 1861** --- The U.S. government introduced an income tax to fund the Civil War.

**August 5, 1962** --- Actress Marilyn Monroe died from an apparent drug overdose in Los Angeles.

**August 6, 1945** --- The U.S. dropped an atomic bomb over Hiroshima, Japan to hasten an end to World War II.

**August 6, 1965** --- The Voting Rights Act of 1965 was passed after Republican leadership pushed the effort to abolish literacy tests and other measures devised by southern Democrats to prevent African-Americans from voting.

## **GENERAL TAX INFORMATION**

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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